HR 2005

SECTION 3

Performance Management Options

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Performance Management Options

Background

The Department of Personnel convened a Performance Management Concept Design Team composed of sixteen members representing varying interests in general government, higher education, and labor. The team worked from early November 2002 to March 2003 to design conceptual performance management options for consideration for the state's new human resource system. Members of the Performance Management Concept Design Team are listed at the end of this section.

The team's assignment was to focus on the global definition of "performance management"[1] that incorporates the general concepts of linking performance to organizational missions, performance appraisal, recognition, and corrective and disciplinary actions.

The team's analysis of performance management included a review of systems in other public jurisdictions as detailed in the DOP Human Resource Systems Research Report. Concerns and preferences of state managers and employees as detailed in the DOP Customer Research Report were also carefully reviewed. A review of relevant current and revised RCWs was conducted. In addition, the team sought information and advice from Dick Grote of Grote Consulting, a nationally recognized expert on performance management, especially pertaining to his "discipline without punishment" model for performance management. The discipline without punishment model is a new approach that has been successfully implemented by public and private sector employers as part of their performance management systems.

The team's recommended design options for a performance management system for Washington State were guided by the general HR 2005 design criteria set forth on page 2 of this document. The Department of Personnel carefully reviewed these options and determined which were most viable for presentation to a broader audience for discussion and feedback. These are presented herein.

Overall Importance of Performance Management

Establishing and classifying positions, establishing salary levels, and hiring great talent to fill those jobs, are critical first steps to creating a high performing workforce. But that is just the beginning. Building and sustaining employee quality, productivity, and

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[1] "Performance management" is considered by some to be synonymous with "performance evaluation". The HR 2005 design and development work defines it in a much broader context, consistent with modern human resource management.

satisfaction is highly dependent on a strong system of performance management. A system that:

- Clearly links employee performance to the organization's mission and strategic plan
- Clearly spells out employee performance expectations, including competencies and job-related goals for successful performance
- Ensures ongoing coaching and feedback
- Regularly assesses performance in a constructive fashion
- Provides meaningful, timely recognition
- Takes timely corrective or discipline action if needed

In a performance based workplace culture, such a performance management system is integrally threaded through all other aspects of human resource management, including compensation, hiring, career growth and advancement, and separation. As such, this is a crucial topic, if not a cornerstone, for the HR 2005 development effort.

Generally speaking, Washington State government has not inculcated a performance based workplace culture in this sense. There has not been a clear overall mandate from executive leadership, and managers have not been held consistently accountable to do what is necessary to support strong employee performance. Moreover, important aspects of the state's human resource system have not been designed to recognize performance and, in fact, have worked against a focus on high performance (e.g., compensation not linked to performance; corrective/disciplinary processes are overly cumbersome and time-consuming).

That said, the call for modern, effective performance management is inherent in the Governor's quality initiative, in the appropriate use of the balanced scorecard or other strategic planning tools, and in comprehensive organizational assessment processes. In addition, the Department of Personnel offers a number of services and tools to support effective performance management including: management and supervisory training, performance appraisal tools, employee satisfaction assessment tools, and organizational consultation services.

Nonetheless, there are several indications that these services and tools are either not used or are not used properly. Again, at issue is a lack of consistent management accountability and the existing lack of linkage of key components of the HR system to employee performance.

Managers and employees are well aware of this and express their concern and frustration. In the extensive customer research conducted by DOP in 2002, one of the most prevalent concerns voiced by state employees and managers was the all too frequent tolerance of poor performance and the lack of meaningful recognition of strong performance. Specific feedback from the customer survey is presented in relevant portions of this section.

Performance Management: Key Components and Recommendations

Overall Planning and Communication

Presently, each agency and higher education institution develops a biennial strategic plan that lays out key goals and objectives to carry out the organization's mission. Strategic plans include performance measures to allow assessment of progress toward and achievement of those overall goals and objectives. This planning is a legal requirement for state agencies as part of the budget process.

Success in implementing and achieving that set forth in organizational strategic plans is contingent on the capabilities and efforts of the agency/institution workforce. Employees need to know what the key components of the strategic plan are and, most importantly, how their job and performance fits in and contributes to that plan.

It is essential that executives clearly communicate to employees the organization's overall mission and goals and, particularly, the role and accountability of managers and employees in successfully achieving those goals. This communication should include laying out the organization's philosophy and commitment to developing a performance based workforce culture. It should also clearly outline the components of the organization's performance management system and the roles, responsibilities, and accountabilities of managers and employees within that system.

Recommendation:

- *This is a key management function executed at the agency/institution level. While no rule appears to be necessary, it is recommended that the Department of Personnel develop guidelines or suggested approaches, as part of an overall performance management package, to facilitate the communication described above. Such guidelines or suggestions should be coordinated with the overall strategic planning and quality guidance offered through the Governor's Office.*

- *Consideration should be given to issuing some type of directive requiring agencies to initiate and sustain a performance-based workforce culture, including appropriate management and employee accountability.*

- *Supervisory training – including all aspects of performance management – be mandatory for supervisors and managers within six months of assumption of their duties (and managers should be held accountable if subordinate supervisors do not receive mandatory training).*

Performance Expectations

Ideally, the agency/institution strategic plan should lead to a determination by the organization of what jobs are needed where and when. This analysis leads to a

determination of needed workforce competencies. As mentioned in Section 2, Recruitment and Selection, this process is a key step in determining hiring needs.[2]

These competencies, together with individual results expected, make up the performance expectations for each employee. Again, the performance expectations must be clearly linked to the mission and strategies of the organization. These are determined by agency/institution management, often with employee involvement.

Competencies refer to the "how" of the job and are the knowledge, skills, and standards of behavior that are expected of employees. There are typically two categories of competencies: "core" and "individual".

Core competencies are those required of all employees at all levels in the organization. Examples include customer focus, interpersonal communications, ethics/integrity, etc. Individual competencies are those that are necessary to successfully fulfill the duties and responsibilities of specific occupations and/or specific positions.

Individual results expected refer to the "what" of the job. They include a delineation of the key job responsibilities, specific individual goals, and any key special assignments during a specified performance period. These expectations should be revisited during the course of the performance period and revised, if needed, due to changes in the work or other performance issues.

Typically, supervisors lay out employee performance expectations as part of the performance appraisal process at the beginning of the performance period. The Employee Development & Performance Plan (EDPP)[3] is the performance appraisal tool presently in place for state agencies for non-management employees. It is designed to facilitate clarification of performance expectations. It is noted, however, that this tool does not call for performance expectations in the manner described above.

Recommendation:

It is recommended that performance expectations, linked to the agency/institution mission and strategic plan, continue to be an integral first step of the performance appraisal process. It is suggested that the EDPP or related tool be revised to reflect the description of "performance expectations" spelled out above. The Department of Personnel should provide more detailed guidelines, training, and consultation on developing and communicating expected competencies and key job responsibilities and individual goals.

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[2] The DOP Workforce Planning Guidelines are designed specifically to help managers and human resource professionals with this process (hr.dop.wa.gov/workforceplanning/wfpguide.htm).

[3] The EDPP is the performance appraisal process issued by the Department of Personnel pursuant to RCW 41.06.169 which requires the DOP Director to develop standardized employee evaluation forms and procedures to be used by state agencies for evaluating employees. Agencies and institutions are allowed to supplement the standardized process to meet specific organizational needs.

Coaching and Development

Managing performance requires ongoing coaching and feedback and access to developmental opportunities throughout the performance period.

Ongoing coaching enhances communication between employees and their supervisors and it allows supervisors to identify areas in which employees may need additional training or development. Coaching allows the supervisor to identify performance deficiencies in a timely manner so that employees can be given training or guidance before the problem becomes extreme.

Providing developmental opportunities assures that employees have the knowledge, skills and abilities necessary to do their jobs, to grow professionally, and to become even more of an asset to their employer. In addition, employees feel valued when agencies or institutions make an investment in their professional development. Feedback acquired in the 2002 DOP customer survey indicated the need for a strong commitment in time and resources to needed training and development.

The EDPP performance appraisal tool includes a specific section for identifying training and development needs and opportunities. Some agencies also prepare a special individual development plan for employees. DOP offers training resources on a myriad of subjects to assist in fulfilling development needs.

Recommendation:

Informal on-going/interim feedback and coaching should be given to employees during the evaluation period and should be documented in a supervisory file. Information in the supervisory file should be incorporated into the annual performance evaluation. DOP should prepare understandable and comprehensive guidelines to help supervisors provide effective coaching and feedback. DOP should continue to provide supervisory training that focuses on this subject.

Employees should be given development and training opportunities and the tools necessary to carry out their jobs and meet the performance expectations of their positions. The EDPP or other appraisal tool should continue to incorporate a section devoted to employee development. DOP should provide guidelines and consultation on identifying training needs and activities to satisfy those needs.

Performance Appraisal

The Department of Personnel provides two basic performance appraisal tools: the Employee Development & Performance Plan (EDPP) and the Management Development & Performance Plan (MDPP). Most agencies use these tools (or slight variations thereof). Higher education institutions often use different tools.

The EDPP and the MDPP are designed to promote a participative process to communicate performance expectations, identify development needs, and provide

feedback. The EDPP also includes a section for employees to provide feedback to their supervisors. Both the EDPP and the MDPP focus on a narrative format, rather than a rating box approach.

For the most part, those who properly use the EDPP feel that it works well for performance communication purposes, that it is easier to use than other approaches, and that the lack of rating boxes is preferred. The MDPP is rather cumbersome, and the rating checklists found in the higher education employee performance evaluation form are not conducive to meaningful discussions between supervisors and subordinates.

The key problem indicated by employees and managers in the DOP customer survey was the failure by many supervisors to conduct performance appraisals in a timely fashion, or to conduct them at all. Again, the EDPP (or similar process) is explicitly designed to help communicate job expectations and identify development needs, as well as give performance assessment feedback. These are critical components of overall performance management. To the degree the tool is not used timely or not used at all, effective performance management is seriously lacking.

Most point out that many supervisors simply are not held accountable for conducting effective, timely performance appraisals. Although an annual assessment of employee performance is required by law, there does not appear to be any particularly negative legal consequence to not doing it. Because performance has not been linked to any type of pay decision, there is no immediate financial consequence to not doing the appraisal.

To do it well, the performance appraisal process takes time and thought. If there is not a performance problem, some feel no compulsion to take time for the process. If there is a problem, it takes courage and is not something that people look forward to. Under the current human resource system, it can easily be put off because there is no *immediate* negative consequence.

Holding managers accountable to clarify performance expectations and assess performance on a timely basis is key to a performance-based culture. Employees need to know what is expected of them and how they are doing. If the new human resource system factors performance into pay and layoff decisions, this accountability will be crucial.

Recommendation:

As required by present statute, performance appraisals should be conducted annually. A means should be put in place to hold managers and supervisors accountable for timely appraisals.

DOP should offer a consolidated performance appraisal tool which would be a refined version of the EDPP, and could be used for employees, as well as managers, in any agency or institution.

Agencies and institutions should retain the ability to supplement or refine the appraisal form with criteria unique to their particular needs.

DOP should provide enhanced guidelines, training, and consultation on performance appraisal.

Whatever tool is used, it should include components that:

- Outline clear performance expectations and realistic timeframes to achieve expectations
- Offer techniques or prompters to enhance communication between employees and supervisors
- Identify training and development needs/opportunities
- Base assessments on observable behavior
- Contain no rating boxes or ranking checklists

It is fully recognized that if performance is used as a factor for pay and/or reduction-in-force decisions, a different system would be necessary. However, the strong recommendation is that a separate document or section of the appraisal tool using a rating system or performance criteria be developed rather than requiring a rating system within the EDPP (or related ongoing performance appraisal tool). Such a document could use the performance appraisal tools as a foundation for further decisions.

Recommendation:

Design a separate or supplemental tool for use in making pay, hiring, and/or layoff decisions

<u>Rewards and Recognition</u>

Behavior is a function of its consequences – behavior that is recognized and rewarded is more likely to recur; behavior that is not recognized will become less probable. Timely, meaningful positive feedback and rewards not only reinforce good performance, but also help employees learn what is desired, helps motivate continued excellence, and lets employees know that they are valued. As such, recognizing desired performance is an essential component of effective performance management and a key ongoing responsibility of supervisors and managers.

There is no provision in the civil service statutes or regulations that mandates formal or informal recognition programs. Agencies and institutions have discretion to independently develop and implement such programs. Some agencies have extensive programs while others give individual supervisors discretion in appropriately rewarding employees.

Recognition can be either monetary or non-monetary. Examples of monetary rewards include a one-time lump sum payment, performance based salary adjustments, approval to attend a special conference, payment of professional organization fees, or extra time off. Examples of non-monetary rewards include preferred parking, recognition in the form of a plaque or certificate of appreciation, public recognition before a group of peers, assignment to a choice project, or a simple handshake and "thank you" from a superior.

Comments from employees in DOP's customer survey suggest that recognition is often a hit-and-miss proposition. Also, employees and managers noted that what is missing in the present system is the ability to financially reward good performers and not poor performers. Nearly 70% of employees felt that there should be a mechanism to offer a financial award to high performers.

The existing personnel WACs contain no provisions for general service employees to receive recognition compensation. Washington Management Service rules allow agencies to provide recognition compensation to WMS staff. In addition, some universities and colleges have monetary rewards for exempt staff.

While present personnel rules give agencies and institutions limited tools for financially rewarding exceptional performance, RCW 41.60.150 gives authority to offer recognition awards that may not exceed two hundred dollars in value per award. This may include, but is not limited to, cash, gift certificates, pen and desk sets, plaques, pins, framed certificates, clocks, and etc.

Recommendations:

■ *Agencies and institutions should ensure that managers and supervisors are conscientious at providing consistent recognition of desired performance. This is a key management function and responsibility.*

■ *Agencies and institutions are encouraged to design and implement employee recognition programs, if they have not already done so. Programs should be linked to an agency's or institution's mission and objectives and should offer meaningful and tangible rewards and recognition. Management should be responsible for monitoring the program and ensuring the program's impartiality. DOP should provide guidelines and alternative models for such programs.*

■ *Performance based pay alternatives recommended in Section 1(Classification and Compensation) of this document should be incorporated as key tools within the total performance management process.*

■ *Monetary awards must be linked to performance appraisals and/or other means that documents observable performance/achievements.*

■ *The concept of "recognition leave" should be strongly considered at some point. An example of recognition leave could be approval for an additional day of leave for exceptional performance, meeting a significant goal, or completion of a major project. This is also mentioned in Section 5, Work/Life Balance, of this document.*

Corrective and Disciplinary Action

Existing Traditional Process

Washington State government presently uses what is considered to be the "traditional" approach to corrective and disciplinary action. It is an approach that has been in place since the 1930's.

When coaching, feedback, and training fail to improve employee behavior and/or performance, agencies and institutions often take informal corrective action. This may include oral or written counseling and letters of reprimand. Informal corrective actions may not be appealed; however, under the terms of a collective bargaining agreement, they may be subject to grievances.

When informal corrective action fails to improve employee behavior and/or performance, agencies and institutions often take formal disciplinary action. Formal disciplinary action may include suspensions without pay for up to 15 days, reduction in salary, demotion, or dismissal. If the misconduct is egregious (i.e., may result in damage to state property or injury to others), progressive discipline may be bypassed and the sanction may be suspension followed by immediate dismissal. Formal disciplinary actions may be appealed.

In DOP's customer survey, managers and employees voiced extensive frustration with the existing system. Excerpts include:

> [Managers] … point out that the present process is way too long and protracted. It is very time-consuming, cumbersome, stressful, and expensive, often resulting in little or no action. Many believe it practically takes "an act of Congress" to discipline or terminate a chronically poor performer …. [T]hose supervisors who actually get through the process say they won't do it again because of the time, extensive documentation, problems, threats, lawsuits, etc.

> Allowing poor performance to continue seemingly unfettered – either due to the system or to poor management – undermines the credibility of managers and is demoralizing to conscientious, well-performing staff who often have to pick up the slack.

> On the other hand, some managers indicated that the existing system is adequate and contains needed protections. The issue is that it needs to be used, and used properly.

> Managers also cited the need for mandatory training for supervisors on proper corrective and disciplinary procedures. They indicated a need for clear, easy-to-understand procedures and information. Some felt this would be useful training for employees as well.

Most of the employees' comments paralleled those of managers – that the corrective and disciplinary action processes are too lengthy, cumbersome, time-consuming, and often bear minimal results.

Many employees also commented that it appears that needed action is not taken timely or it is minimal or it is not taken at all. Others mentioned that sometimes the problem performers seemed to be rewarded by being reassigned to a different division or put on administrative leave. Some noted that poor performers don't take the process seriously; that they are protected and their job is not in any real jeopardy. Employees repeated the point that it is frustrating and demoralizing for good employees to have to put up with disruptive or poor performing co-workers.

Some employees felt that the problem was not the process, but with managers' ability to use it. The need for accountability and mandatory supervisory training was again noted in this regard.

The Performance Management Concept Design Team itemized the following pros and cons with the present traditional disciplinary action system as follows:

Existing Traditional Disciplinary Action System	
Pros	**Cons**
Familiar to manager and employees	No system-wide standard for addressing performance deficiencies
Provides a range of disciplinary options	Process is time consuming, lengthy, and cumbersome
Clearly communicates the seriousness of the performance deficiency	Process fails to address performance problems until the problems are extreme
Each agency or institution determines when deficient performance can no longer be tolerated and what steps to follow to effectuate a change in behavior	No mechanism to achieve employee accountability and commitment to change
	Focuses on legal aspects of discipline process rather than improving performance
	The current WACs do not address poor performance as a specific cause for discipline

Alternative Approach – Positive Discipline

An alternative to changing behavior is positive discipline. This non-punitive approach requires employees to take personal responsibility for their behavior and/or performance and commit to improvement as a condition of continued employment.

The Performance Management Concept Design Team consulted performance management expert and author Dick Grote to learn more about the "Discipline Without Punishment" approach which is being used successfully in many private and public organizations. This approach encompasses a process that encourages communication between employees and supervisors. It focuses on the employee's personal responsibility to improve and fully commit to meeting the performance expectations of his/her job.

As Dick Grote puts it, you can punish employees into compliance, but you cannot punish them into commitment. The goal of this positive discipline approach is to bring the employee up to acceptable standards of performance, rather than to terminate.

When informal discussions, coaching, feedback, and training fail to improve employee behavior and/or performance, the employee is given a written reminder of the expected behavior and/or performance and that it is the employee's personal responsibility to fulfill that expectation. If the problem continues, the employee is given a second written reminder.

If no improvement is made, the employee is placed on "decision-making" leave. Decision-making leave is a day off with pay. The employee is directed to think about the documented problems addressed in the written reminders and to determine whether to make a total performance commitment to meet acceptable performance standards or to resign.

If the employee refuses to "commit to improvement" or to resign, the agency or institution proceeds with the termination process.

It is recognized that there are instances when immediate dismissal is necessary. The Discipline Without Punishment model does not preclude an employer from dismissing employees in such cases.

The following chart compares the traditional approach to discipline presently used by Washington State to the Discipline Without Punishment approach. This chart is found and explained in detail in Dick Grote's book.[4]

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[4] The book is <u>Discipline Without Punishment</u>, AMACOM Press. And the website is GroteConsulting.com.

Traditional Discipline Process	**"Discipline Without Punishment"**

Informal Transactions

Coaching and counseling

Informal Transactions

Positive contacts Performance Improvement Discussions

Formal Disciplinary Transactions

Step 1	Oral warning
Step 2	Written warning
Step 3	Suspension without pay Final warning Probation
Step 4	Termination/Discharge

Formal Disciplinary Transactions

First	Reminder #1
Second	Reminder #2
Final	Decision-making leave

Termination

Both the traditional and the positive discipline approach encompass the premise of progressive discipline. In addition, both approaches are consistent with the civil service statute. The team members' thoughts regarding the pros and cons of the Discipline Without Punishment approach are itemized below:

Discipline Without Punishment	
Pros	**Cons**
Addresses performance problems before the problems are extreme	Requires a system-wide cultural change
Seeks employee commitment to change	Requires extensive training (and associated training funds) for managers and supervisors
Increases employee accountability	Decision-making day may be viewed by some as a bonus rather than a performance management action
Provides employees with incentive to correct behavior or improve performance	
Focuses on future performance improvement rather than punishment	Decision-making day may impact workload of other employees
Enhances communication between employees and supervisors	Does not allow the range of disciplinary options currently allowed by statute
Clearly identifies and documents problems and expectations for employee	Some feel it may not be practical for 24/7 organizations or institutions or off-site remote locations
Provides process consistency	
Can be used for a variety of employee concerns including attendance issues, conduct issues, and performance and attitude issue	Dismissal is the only sanction available and may not be defensible on appeal

It is noted that organizations that are using the Discipline Without Punishment approach find that they have fewer appeals and that their actions are almost always upheld.

Recommendation:

Implement a positive discipline pilot program for selected agencies and institutions on a voluntary basis. Agencies/institutions should have the flexibility to determine which process best meets their needs (e.g., the updated current process, a positive discipline model, or modification thereof as designed by the organization).

Recommendations for other general aspects of disciplinary action include the following:

- *Regardless of the disciplinary approach selected, the pertinent rules should be reviewed and updated. In addition, the team believes that administering a single disciplinary approach for all employees is the most administratively practical approach to take.*

- *Retain the rule that enables removing supervisors from supervisory positions for tolerating poor performance by subordinates.*

- *Develop or revise rules for administrative actions or non-disciplinary separations such as RIFs, loss of licenses, probationary separations, disability separation, etc.*

- *Remove or reduce the 15-day notice requirement for disciplinary actions or allow dismissal with one day's notice and pay-out for the remainder of the notice period.*

- *Update the rule on abandonment to expedite dismissals.*

- *Update the disciplinary causes in the current WACs to create flexibility to address the specific behavior or actions of misconduct.*

Appeals

Due process and appeal rights are highly important components in the performance management and other key aspects of the present and the new human resource system to ensure appropriate employee protections. Appeals are discussed in Section 6 of this document.

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